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Global Markets Research

Daily Market Highlights

2 May: UST yields rose on ISM manufacturing price index

JP Morgan bought First Republic; core-PCE prices up 4.6%; ISM-manufacturing still in contraction

BOJ maintained policy rate at -0.1%; may review its policy moves ahead

China's official manufacturing-PMI unexpectedly shrank; services PMI retreated but still strong

- The Dow Jones Industrial Average closed Monday 0.1% d/d lower following FDIC's seizure of First Republic over the weekend and the bank's subsequent sale to JPMorgan Chase. The S&P 500 dipped slightly below the flatline while Nasdaq Composite ticked down 0.1% d/d. Shares of regional banks, as reflected by the KBW Regional Banking Index, closed 2.6% d/d lower, but JPMorgan Chase shares rose 2.1% d/d. Investors will be looking to several big-name companies releasing their earnings this week, which will include Apple, Qualcomm and AMD. Most European and Asian markets were closed on Monday due to the Labour Day, but Nikkei 225 jumped 0.9% d/d.
- UST yields surged after the ISM-Manufacturing price index popped up more than expected to 53.2 in April (March: 49.2), adding fears for a June tightening. The 2Y jumped 13bps to 4.14%, while the 10Y climbed 15bps to 3.57%. 10Y European bond yields, meanwhile, closed down between 7-18bps on Friday.
- DXY firmed up by 0.5% d/d to 102.15 in thin trading supported by the higher UST yields. Amongst its regional peers, EUR weakened 0.4% d/d despite expectations that the ECB will raise rates on Thursday, while GBP depreciated 0.6% d/d. JPY continued with its depreciating trend, plunging 0.9% d/d to 137.50 after the BOJ maintained its ultra-low interest rates last Friday. AUD gained 0.2% d/d ahead of RBA's policy meeting today, where the central bank is widely expected to extend a rate pause. MYR closed flat at 4.4622 while SGD weakened 0.1% d/d at 1.3363.
- The West Texas Intermediate slipped 1.5% d/d to \$75.66/barrel on anxiety over global growth, while the price of gold dipped 0.4% d/d on a stronger USD.

BOJ maintained policy rate at -0.1%

- As widely anticipated, the Bank of Japan (BoJ) unanimously decided to maintain its yield curve control and policy rate unchanged at -0.10%. BOJ, nevertheless, dropped the guidance BOJ "expects short- and long-term policy interest rates to remain at their present or lower levels," thus effectively giving the central bank room to adjust its policy ahead.
- Key forecasts include: 1) Core inflation rate for fiscal year 2023 and 2024 revised upwards to 1.8% (Previous forecast: 1.6%) and 2.0% respectively (Previous: 1.8%). 2) GDP projection for 2023 revised downwards to +1.4% (Previous: 1.7%); Projection for 2024 revised upwards to 1.2% (Previous: 1.1%).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,051.70	-0.14
S&P 500	4,167.87	-0.04
NASDAQ	12,212.60	-0.11
Stoxx Eur 600	466.89	0.05
FTSE 100	7,870.57	0.50
Nikkei 225	29,123.18	0.92
Hang Seng	19,894.57	0.27
Straits Times	3,270.51	-0.35
KLCI 30	1,415.95	-0.15
FX		
Dollar Index	102.15	0.48
EUR/USD	1.0976	-0.39
GBP/USD	1.2496	-0.56
USD/JPY	137.50	0.88
AUD/USD	0.6630	0.23
USD/CNH	6.9617	0.50
USD/MYR	4.4622	-0.02
USD/SGD	1.3363	0.14
Commodities		
WTI (\$/bbl)	75.66	-1.46
Brent (\$/bbl)	79.31	-0.29
Gold (\$/oz)	1,992.20	-0.35
Copper (\$\$/MT)	8,595.50	0.10
Aluminum(\$/MT)	2,356.00	1.60
CPO (RM/tonne)	4,123.50	-0.73

Source: Bloomberg, HLBB Global Markets Research
 * Closing as of 28th April for Stoxx Eur 600, FTSE100, Hang Seng, Straits Times, KLCI, USD/MYR, USD/SGD, copper & aluminium

- Japan's Consumer Confidence Index rose more than expected to 35.4 in April (March: 33.9), with improvements seen across all sub-indices, especially willingness to buy durable goods: The contraction in housing starts, meanwhile, worsened less than expected by -3.2% y/y in March (-0.3% y/y), while the final print of Jibun Bank Japan PMI was left unchanged at 49.5 in April (March: 49.2).

US headline PCE prices decelerated sharply; ISM-manufacturing still in contraction although priced popped up

- Matching expectations, US core personal consumption expenditures (PCE) price index remained sticky at +0.3% m/m (Feb: +0.3% m/m) and 4.6% y/y respectively in March (Feb: +4.7% y/y), while headline PCE decelerated sharply to +0.1% m/m (Feb: 0.3% m/m) and +4.2% y/y (Feb: 5.1% y/y). The latter reflects a sharp drop in energy prices by 3.7% m/m, while prices of goods also fell 0.2% m/m (Feb: +0.1% m/m). Service inflation, on the other hand, also increased at a slower pace of 0.2% m/m (Feb: +0.4% m/m).
- As it is, concerns over service inflation, driven partly due to strong wage growth, risks keeping prices above the Fed's target and thus supports our view of another 25bps rate hike in the FOMC meeting this week. Data showed that the Employment Costs Index accelerated more than expected by +1.2% q/q in 1Q (4Q22: +1.1% q/q), while personal income also topped estimate at +0.3% m/m in March (Feb: +0.3% m/m). Consumer spending was nevertheless flat (Feb: +0.1% m/m) with lower spending in goods (-0.6% m/m vs Feb: -0.2% m/m) due to motor vehicles while spending in services picked up to +0.4% m/m (Feb: +0.2% m/m) due to housing utilities.
- Construction spending rebounded more than expected by 0.3% m/m in March (Feb: -0.3% m/m). However, residential construction continued to fall for the 10th month by 0.2% m/m (Feb: -1.4% m/m).
- The ISM Manufacturing Index rose more than expected, albeit still in the contraction territory, to 47.1 in April (March: 46.3). The New Orders Index remained sluggish at 45.7 (March: 44.3) and 73% (March: 70%) of the manufacturing GDP is reported to be contracting. However, fewer industries contracted strongly at 12% in April (March: 25%). Separately, the final S&P Global US PMI was revised downwards by 0.2ppts to 50.2 in April (March: 49.2).
- On regional activities, the Kansas City Fed Services Activity Index grew moderately at 7 in April (March: -4) and expectations for the next six months increased further (14 vs March: +2). Of note, firms expect input price growth to ease slightly over the next six months and selling prices to slow substantially. The increase was also driven by growth in health services, tourism and hotels as well as restaurants, which more than offset the contraction in auto and retail activity. Separately, the MNI Chicago PMI unexpectedly edged up to 48.6 in April (March: 43.6), with the business barometer and new orders sub-indices remained in contraction, albeit at a slower pace.

Eurozone's GDP missed estimates at +0.1% q/q

- Eurozone grew a shade slower than expected by +0.1% q/q in 1Q (4Q: 0) as growth in Germany stalled (4Q: -0.5% q/q) and avoided a technical recession. France's GDP meanwhile picked up by 0.2% q/q (4Q: 0) despite a spate of widespread strikes, while the Irish economy was a notable weak spot, contracting 2.7% q/q (4Q: +0.3% q/q).

UK Business Barometer hit 11-month high

- Llyod's business confidence hit a 11-month high of 33 in April (March: 32) as companies were optimistic about their plans to raise prices (61% vs March: 59%). Confidence was also driven by the hospitality and financial services sectors.

China's Manufacturing PMI unexpectedly shrank

- China's official manufacturing PMI hit its lowest level since post-Covid reopening, with the index unexpectedly dipping below the 50-threshold at 49.2 in April (March: 51.9). The new orders fell to 48.8 (March: 53.6), signalling a decline in market demand, while the new export orders index also fell to contraction range at 47.6 (March: 50.4), its lowest level in three months. Of note, the contraction in the steel PMI deepened to 45.0 (March: 48.4), pointing to weakening demand for housing-related materials.
- The PMI for the services sector, despite falling more than expected to 56.4 for the same month (March: 58.2), remained the second highest reading for the year so far. The construction gauge, specifically, retreated from March's record but remained robust at 63.9 (March: 65.6). In a statement by the Politburo, the decision-making body said that the current economic improvement was mainly led by recovery-driven growth and added that internal driving force is not strong.

Australia's PPI accelerated; private sector credit remained unchanged

- Australia's PPI accelerated to +1.0% q/q in 1Q (4Q22: +0.7% q/q), led by electricity and gas supply, output of building construction as well as education and training services. In the consumer sector, the Melbourne Institute's Inflation gauge decelerated for the third consecutive month to +0.2% m/m in April (March: +0.3% m/m). Prices, nevertheless, remained high on a y/y basis at +6.1% (March: 5.7% y/y).
- Matching expectations, Australia's private sector credit remained unchanged at +0.3% m/m in March but decelerated on a y/y basis to +6.8% y/y (4Q22: +7.6% y/y). Separately, the Judo Bank Australia PMI Manufacturing was revised 0.1ppts lower to 48.0 in April (March: 49.1).

Singapore's unemployment rate dipped to 1.8%

- In 1Q, Singapore's employment expanded for the 6th quarter to surpass pre-pandemic level by 3.9%. This was nevertheless, offset by higher retrenchments at 4.0k (4Q22: 3.0k), with business reorganisation/restructuring continued to be a top reason for retrenchments and led by electronics manufacturing as well as professional services and information and communications sectors. As a result, unemployment rate edged down to 1.8% (4Q: 2.0%)

Vietnam's inflation eased; retail sales eased but remained strong, IPI rebounded despite worsened exports

Vietnam's inflation rate unexpectedly eased for the third consecutive month to 2.8% y/y in April (March: 3.4% y/y), predominantly due to a fall in food prices and education costs. According to the GSO Office, the former benefitted from abundant supply while the latter was due to the adjustment of tuition fees in some localities in accordance with Resolution No. 165/NQ-CP. According to this resolution, public education and raining institutions must maintain the tuition fee rates stable for the 2022-2023

school year to support students from low-income families and disadvantaged households.

- Retail sales decelerated but remained double digit at +11.5% y/y in April (March: +13.4% y/y). In specific, tourism related sales contributed to the slower sales at +86.0% y/y (March: +113.9% y/y).
- IPI rebounded to chalk a marginal growth of +0.5% y/y (March: -1.6% y/y), led by the rebound in manufacturing output (+0.2% y/y vs. March: -1.7% y/y) and in tandem with it, stronger electricity production (+4.7% y/y vs. March: +1.8% y/y). This is despite a bigger decline in exports, albeit less than expected, at -17.1% y/y (March: -14.8% y/y). This was underpinned by lower exports of wood products and textiles amongst its key products.

House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DXY	100-102	100.97	99.96	97.96	96.98
EUR/USD	1.09-1.11	1.10	1.11	1.12	1.13
GBP/USD	1.24-1.26	1.24	1.25	1.24	1.24
USD/JPY	135-138	131	130	128	128
AUD/USD	0.65-0.67	0.68	0.68	0.69	0.70
USD/MYR	4.43-4.47	4.39	4.35	4.31	4.28
USD/SGD	1.33-1.34	1.31	1.30	1.27	1.26

Rates, %	Current	2Q-23	3Q-23	4Q-23	1Q-24
Fed	4.75-5.00	5.00-5.25	5.00-5.25	5.00-5.25	5.00-5.25
ECB	3.50	4.00	4.00	4.00	4.00
BOE	4.25	4.25	4.25	4.25	4.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.60	3.60	3.60	3.60	3.60
BNM	2.75	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
2-May	MA S&P Global Malaysia PMI Mfg (Apr)	48.8
	AU RBA Cash Rate Target	3.60%
	UK Nationwide House Px NSA YoY (Apr)	-3.10%
	EC HCOB Eurozone Manufacturing PMI (Apr F)	45.5
	UK S&P Global/CIPS UK Manufacturing PMI (Apr F)	46.6
	HK GDP YoY (1Q A)	-4.20%
	EC CPI Estimate YoY (Apr)	6.90%
	US JOLTS Job Openings (Mar)	9931k
	US Factory Orders (Mar)	-0.70%
	US Durable Goods Orders (Mar F)	3.20%
3-May	US Cap Goods Orders Nondef Ex Air (Mar F)	-0.40%
	AU Judo Bank Australia PMI Services (Apr F)	52.6
	VN S&P Global Vietnam PMI Mfg (Apr)	47.7
	AU Retail Sales MoM (Mar)	0.20%
	MA BNM Overnight Policy Rate (37742)	2.75%
	EC Unemployment Rate (Mar)	6.60%
	US MBA Mortgage Applications	3.70%
	US ADP Employment Change (Apr)	145k
	SI Purchasing Managers Index (Apr)	49.9
	US S&P Global US Services PMI (Apr F)	53.7
	US ISM Services Index (Apr)	51.2

Source: Bloomberg

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